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1 February 1965

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CENTRAL INTELLIGENCE BULLETIN

CURRENT INTELLIGENCE
RELATING TO NATIONAL SECURITY

State Dept. review completed

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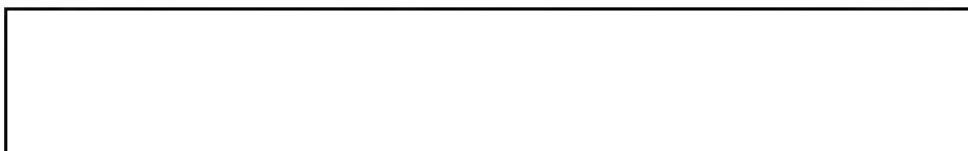
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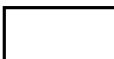
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USSR - North Vietnam: Moscow's decision to send an unusually strong delegation headed by Premier Kosygin to Hanoi underscores the USSR's desire to regain influence with the North Vietnamese at Chinese expense.

One of the main purposes of the mission probably will be to strengthen the credibility of recent public statements that the USSR "cannot remain indifferent to the fate of a fraternal socialist country" and that it is ready to give Hanoi the "necessary assistance." The presence of high-ranking military and economic officials on the delegation almost certainly foreshadows a substantial increase in Soviet economic and military assistance.

This aid may well include such defensive weapons as surface-to-air missiles and antiaircraft weapons. It is also possible, however, that Kosygin will offer advanced jet fighters.

In exchange for this support, the Soviets probably will press for a greater voice in the formulation of Communist policy in South Vietnam and Laos. Kosygin probably will urge the North Vietnamese to avoid actions which might provoke US reprisals and lead to a dangerous military escalation. The Soviets may also discuss political initiatives designed to inhibit US freedom of action, such as exerting greater pressure toward reconvening the 14-nation conference on Laos.

The main lines of an agreement between Hanoi and Moscow on economic and military assistance may already have been worked out in advance. Following a

(continued)

visit by North Vietnamese Premier Pham Van Dong to Moscow last November, Hanoi began to mute its propaganda critical of Moscow policy, suggesting it had received new assurances of Soviet support. A major Soviet economic delegation is now in North Vietnam.

In an apparent effort to lessen the impact of the Kosygin mission on the US, Pravda ^{on 2 January} ~~has~~ for the first time warmly welcomed President Johnson's State of the Union remarks about US-Soviet relations. Pravda said that the President's statements concerning the expansion of Soviet-American contacts were favorably received in the USSR.

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However,

25X1 South Vietnam: There are indications of growing dissatisfaction in some military and Catholic circles over Khanh's moves to set up a government acceptable to the Buddhists.

25X1 Meanwhile the seven-day cease-fire period during the lunar new year holiday, unilaterally proclaimed by the Viet Cong, has begun. ... A Hanoi broadcast aimed at US troops has warned that any major South Vietnamese operations during the cease-fire period may result in direct retaliation against US personnel or installations.

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West Germany: Bonn is striving to prevent Tanzania, Indonesia, and Egypt from establishing more formal relations with East Germany.

Foreign Minister Schroeder told visiting Tanzanian Foreign Minister Kambona on 28 January that such action by his country would result in a cutoff of German aid in all fields. Schroeder's warning followed delivery of a letter from President Nyerere indicating that he would permit the establishment of an East German consulate general in Dar es Salaam in lieu of the East German "embassy" on Zanzibar.

Bonn regards this "embassy" as illegal and has long sought its abolition. West German officials have indicated that a trade mission, though not a consulate general, would be an acceptable solution.

West Germany has granted Tanzania a considerable amount of economic and military aid, and has recently begun the task of equipping and training a complete air wing for the Tanzanian Army.

Reports of an impending move by Indonesia to recognize East Germany have resulted in a warning to Sukarno, delivered by the West German ambassador on 27 January, that if recognition is granted, Bonn would break off "all relations" with Djakarta.

West Germany also intends to make it clear to Egypt's Nasir that it is adamantly opposed to a visit by East German leader Ulbricht to Cairo. Bonn hopes, by exerting pressure in Cairo and other Arab capitals, to get Nasir to cancel any plans for such a visit.

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SELECTED SOVIET OFFICIAL DATA ON ECONOMIC PERFORMANCE
Percent of Increase (or Decrease) Compared with Preceding Year

| | 1963 | 1964 | Previous * Data (if different) | Planned Rate ** of Increase for 1964 |
|---------------------------------------|------|------|--------------------------------------|--|
| GROSS SOCIAL PRODUCTION | 5 | 7 | | NA |
| NATIONAL INCOME | NA | 7+ | 5 | 7.7 |
| INDUSTRIAL PRODUCTION | 8.5 | 7.1 | 7.8 | 6.7 |
| AGRICULTURAL PRODUCTION | NA | 12 | | NA |
| STATE PLANNED INVESTMENT | 6 | 8 | 6.8 | 10.8 |
| NEW FIXED CAPITAL | 8 | 6 | 7.4 | 5.9 |
| LABOR PRODUCTIVITY IN INDUSTRY | 6 | 4 | | 4.6 |
| CHEMICAL INDUSTRY | 16 | 15 | | 16.6 |
| METALLURGICAL INDUSTRY | 9 | 8 | | NA |
| FUELS INDUSTRY | 10 | 7 | | NA |
| LIGHT INDUSTRY | 2 | 3 | | NA |
| FOOD INDUSTRY | 5 | 2 | | NA |
| MACHINE BUILDING and METAL WORKING | 13 | 9 | | NA |
| ELECTRICITY | 12 | 11 | | 9.7 |
| STEEL | 5 | 6 | | 4.7 |
| FERTILIZER | 15 | 28 | | 28 |
| SYNTHETIC FIBERS | 11 | 17 | | 17 |
| OIL | 11 | 9 | | 7.7 |
| CHEMICAL EQUIPMENT | 9 | 19 | | 24.5 |
| AGRICULTURAL MACHINERY | 17 | 1 | | NA |
| HOUSING | -4 | -3 | -5 | 0 |
| TELEVISION SETS | 14 | 18 | | NA |
| REFRIGERATORS | 9 | 25 | | NA |
| WASHING MACHINES | 27 | 25 | | NA |

* Data in this column are from Premier Kosygin's 9 December 1964 report on the Economic Plan for 1965.

** In most instances the planned rate is the implied annual rate necessary to achieve the goals of the 1964-1965 plan.

(NA) Not Available

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USSR: A preliminary Tass summary of the economic report for 1964 indicates that the growth of industrial production is lagging and that serious shortfalls are continuing in agriculture.

The increase in industrial output over 1963 is now given as 7.1 percent instead of 7.8 percent as stated by Premier Kosygin in December. This increase, which represents a sharp drop from the 1963 rate of 8.5 percent, is the lowest since World War II and means that the 1964-65 goal for industrial production will not be met.

Within the sphere of industrial production, the most notable success was in the basic materials field, as is traditional. Growth in the light and food processing industries that serve the consumer directly, however, continued at the low rates characteristic of previous years.

Agricultural production increased 12 percent over the abnormally low level registered in 1963. Grain production figures, however, were omitted from the report for the second year in a row. Animal husbandry failed to meet its targets for meat, milk, eggs, and wool. Livestock numbers have not recovered from the 1963 agricultural disaster.

Capital investment figures are not included in the report other than the statement that centralized investment increased by eight percent. This was well below the growth needed to meet the 1964-65 goal. [REDACTED]

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NOTES

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Congo (Leopoldville): The main government offensive in the northeast will probably not begin for at least three weeks. The contracts of most of the mercenaries in the area expire this month, and many intend to leave. A new band of mercenaries, probably including South African regulars, is to start training shortly in Katanga but will not be ready for action until later this month.

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The Assistant Secretary of Defense (International Security Affairs)

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